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MERCHANDISING SUPPLEMENT:
The hardware department—pp. 41-58

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Home Center News ®

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As Hurricane Gloria approached, employees boarded up the front of this Lowe's store in Virginia Beach, Va. NHCN photo

Hurricane wreaks havoc on East Coast dealers

By Phillip M. Perry
NHCN senior editor

REGIONAL REPORT — Hurricane Gloria stormed up the East Coast Sept. 27, leaving in its wake a long string of damaged home center roofs, blown-down signs and flooded showroom floors.

The storm did its greatest damage where it first hit land, in Monteo, N.C. An Ace Hardware store was destroyed when high winds blew a power line onto its roof, causing a fire.

As the storm moved northward, it began to flood showrooms of stores located near beach areas. Close to 12 in. of water flooded Shoemaker Lumber, Ocean City, N.J. "We chose to do business on a barrier reef, so we have to live with it," said Fred Tarves, president of Shoemaker.

Widespread damage was reported when the hurricane slammed into Long Island. In the town of Islip, a Lumber Headquarters store lost 7,500 sq. ft. of its roof to the high winds. After the roof landed along a two-block street of the adjacent highway, the wind tore loose the store's air-conditioning unit, which bounced along the decking, resulting in further damage. Including the destruction of a 6-ft.-tall free-standing sign which blew down at Lumber Headquarters' Levittown, N.Y., store, damage for the chain came to about $40,000.

"We should get the store in

(Continued on page 12)

Boise sells its Calif. stores; retail units pared to only 22

By John Caulfield
NHCN senior editor

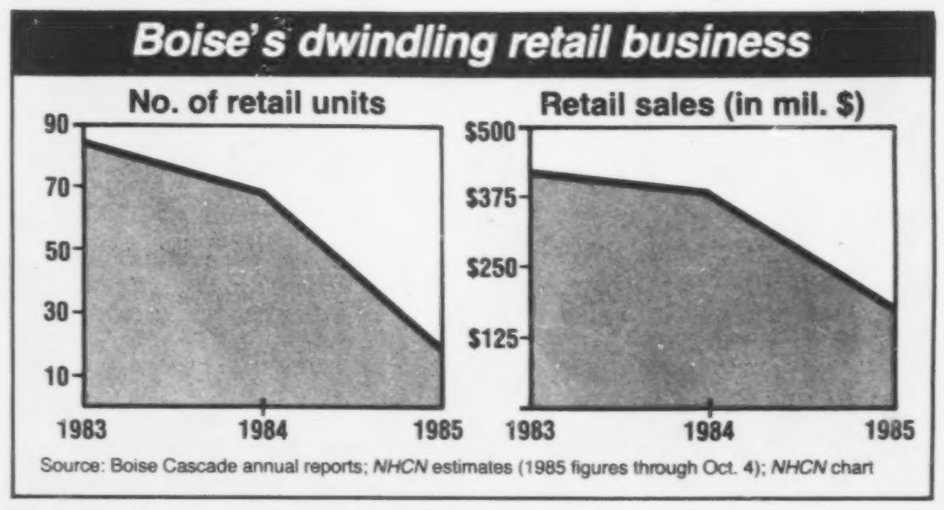
SAN DIEGO — Boise Cascade has sold off its eight stores and one wholesale unit here for $27 million to a group of investors that includes former Boise management, as the Idaho company continues to dismantle its once-giant retail operations.

Its California division—which includes seven retail stores averaging 20,000-sq.-ft. each, a large contractor yard and a distribution facility—did an estimated $125 million in sales last year, and was considered to be the most profitable of Boise's retail and wholesale holdings in its building materials distribution group.

This most recent sale leaves Boise Cascade with 22 retail units and nine wholesale facilities. Earlier this year, the company sold off 23 stores in Texas and Oklahoma to Lowe's for $50 million, and Boise has been liquidating its remaining stores in Houston (*NHCN*, Feb. 25).

The sale of its San Diego stores, though, caught some in the industry by surprise, because of the stores' reputed profitability. Boise's divestment of these units is further evidence to some that the com-

(Continued on page 89)



Over the last three years, Boise Cascade has dramatically divested itself of its retail operations.

Brit conglomerate set to buy Williams Bros.

ATLANTA — Blue Circle Industries, a $1.2 billion London-based manufacturer of cement, as well as bathroom and decorative products, signed a letter of agreement to acquire Williams Brothers on Sept. 27.

Scheduled to be closed by the end of November, the deal included all nine of the Williams Brothers Home Centers, which sold $60 million worth of merchandise last year. It also included the company's 27 ready-mix concrete plants, which had an estimated volume of $170 million in 1984.

Terms of the transaction were not disclosed. One Atlanta business observer characterized as "low" an estimate of $80 million to $90 million published by Reuters News Service.

(Continued on page 89)

Hechinger secures toehold for Long Island expansion

By Donald Longo
NHCN managing editor

EAST NORTHPORT, N.Y. — Hechinger will become the first major chain in over a decade to invade the highly lucrative and competitive Long Island home improvement market when it opens the first of a three possible stores in Suffolk County early next year.

Retail and real estate sources on Long Island report that the Landover, Md.-based chain of 49 home centers will lease a 35,000 to 40,000-sq.-ft. building on Jericho Turnpike here in East Northport. According to competitors in the market, Hechinger is close to securing two other sites in busy retail sec-

Affluent Long Island DIYers appear ripe for home center invasion. Special market survey of consumers' attitudes, page 3.

tions of central Suffolk County. Sources conjectured that

(Continued on page 89)

Hardware shines at home centers

Hardware department sales moved ahead of paint and home decorating products as the third largest sales category at home centers last year. At the same time, home centers out-performed hardware stores at their own specialty, according to figures contained in three reports recently published by the National Retail Hardware Assn. The reports show that while hardware stores registered higher gross margin in the hardware category than home centers, the latter group of stores was able to achieve a greater return in margin for their investment in inventory. NHCN *examines the high-powered hardware department in a supplement beginning on page 41.*

High winds from Hurricane Gloria knocked a power line onto the roof of the Ace Hardware store in Manteo, N.C., causing a fire that destroyed the structure. Story, page 12.

Photo by Drew C. Wilson, *The Coastland Times*, Manteo, N.C.

NEWSBREAKS

HANDY ANDY TAKES PARTNER. Belgium retailer GB-Inno-BM, which owns 26% of Scotty's, has taken "a major investment position" in 15-unit Handy Andy Home Improvement Centers of Gurnee, Ill. Terms were not disclosed.

KOPKIN QUITS MR. HOW. Jack Kopkin, the vp-merchandising for Mr. HOW Warehouse since December 1984, has left the Margate, Fla.-based chain, citing "philosophical differences" with the company's management.

INSIDE:

Lumber City reformats to combat warehouse competitors —Page 2
Grace Home Centers West restructures —Page 3
Ole's Plus: built to compete with warehouse stores —Page 6
August resale activity hits highest level in 6 years —Page 10

NHCNews Briefs

Industry Update

HomeClub lowers offering price

FULLERTON, Calif. — The initial public offering price of HomeClub's common stock has been lowered to the range of $10 to $11 per share from $14 to $16 a share.

This means that the offering of 2.24 million shares of HomeClub common stock would raise between $22 million to $25 million vs. the original goal of $31 million to $36 million (*NHCN*, Aug. 12).

Wall Street sources said the stock was expected to be priced Oct. 7 and begin trading publicly on Oct. 8 under the NASDAQ symbol HCLB.

An analyst said the downward price revision was needed because the market in home center stocks has "just been devastated, and in that environment the market wouldn't stomach $14 to $16."

Lead underwriter is Morgan Stanley & Co.

McCormick project jeopardized

CHICAGO — Construction on the 533,000-sq.-ft. addition to McCormick Place could stop by the end of the month if Illinois Gov. James R. Thompson and Chicago Mayor Harold Washington cannot agree on how to solve a funding problem by the middle of October, according to sources close to the issue.

The Illinois Legislature was scheduled to meet on Oct. 15, 16 and 17 and then again, if necessary, on Oct. 29, 30 and 31, to vote the city's Metropolitan Fair and Exposition Authority, operators of McCormick Place, more money to finish the work, according to Judith Erwin, press secretary to Illinois Sen. Philip J. Rock, president of the Illinois senate.

The Authority is seeking additional bonding authority of more than $54 million to complete the project.

Erwin said that $54 million figure could rise to as much as $70 million in order to finish the addition, scheduled for completion by May 15, 1986.

The Legislature met on Oct. 2, in a special session, to deal with the issue but because the Mayor and Governor had not yet come to terms, the subject was not brought before the 177-member congress.

Home Depot opened 4 in Sept.

ATLANTA — The Home Depot, continuing its fast-track expansion pace, opened four stores during the last week of September—one each in Baton Rouge, La., and Kendal, Fla., and two in Jacksonville.

Senior vp Ron Brill said the 80,000-sq.-ft. store in Baton Rouge replaced an existing outlet in that city which had been part of the Bowater chain acquired last fall.

Earlier in September, The Home Depot opened its second outlet in Tucson, Ariz., on Sept. 5, and its third unit in southern California, in San Bernardino, on Sept. 16.

Home Depot now has 46 stores.

Handyman comp-store sales up

SAN DIEGO — Handyman Corp. reported a 15.5% sales increase in comparable stores for the 13-week period ended Sept. 28. However, overall sales dropped 15.4% to $60.9 million. The decline was attributed to the closure of 21 stores in Texas and Oklahoma in the summer of 1984.

According to Handyman president Harvey Rosen, "unusually high" sales were posted during July and August 1984 because of going-out-of-business sales conducted in the 21 stores.

For the first nine months of the fiscal year, Handyman reported sales of $174.4 million, a 20.4% sales decrease. Comparable-store sales increased 6.9% for the nine-month period.

Handyman, formerly a division of Edison Brothers Stores Inc., was spun off as a publicly traded company on June 24.

Ernst to grow to 76 units by Nov.

SEATTLE — Ernst Home Centers is adding two stores in the Seattle market cities of Renton and Issaquah at the end of November and debuted a unit in Everett, Wash., in September.

The new-store openings will raise Ernst's chainwide count to 76 units, including three Von Tobel's home centers in Las Vegas, Nev.

The new stores are approximately 35,000-sq.-ft. each and feature decor elements created by Miller/Zell, an Atlanta design firm under contract to Ernst since earlier this year.

Last year Ernst opened only one store, in Spanaway, Wash., and retrofitted three existing stores in a rehab program that was halted shortly after Michael Rouleau, an ex-Target discount stores executive vp, was named Ernst president in February.

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Lumber City reformats to combat warehouse market-share erosion

By Brad Altman
NHCN associate editor

CRESCENTA VALLEY, Calif. — Neiman-Reed's Lumber City has completed a $120,000 retrofit of its 40,000-sq.-ft. store here and was set to stage a "Grand Reopening" promotion Oct. 8-13, company officials said.

The six-year-old unit is the first in the 12-unit chain to undergo a major reformatting as part of a corporate philosophy to emphasize big-ticket project sales and to combat market-share erosion caused by warehouse operators and by other traditional home center competitors.

Chief executive Doug Williams said the average-ticket at the Crescenta Valley unit is $17, and "we are looking for a minimum sales increase of 15%."

Williams said the revamp program is the latest of several changes that have occurred since the company returned to private ownership in April after four years of majority control by the British company UBM Group of Bristol, England.

Chairman Robert Neiman assists a customer at Neiman-Reed's Lumber City store in Crescenta Valley, Calif. He said that changes following the company's return to private ownership present "a new ball game."

NHCN photo

The Van Nuys, Calif.-based chain's other stores are currently receiving facelifts ranging from cosmetic touchups to major overhauls in the $800,000 chainwide remodeling program.

Highlights of the new Crescenta Valley store configuration include wider aisles to accommodate larger shopping carts, gondola runs extended to 40-ft. from 20-ft. to emphasize the deep merchandise assortment, bold signs attached to 4-ft., low-profile gondolas and a newly painted, crisp white inte-

(Continued on page 90)

Independent sheds lumber image for 'one-stop shop' home center

By Laura Liebeck
NHCN field editor

RHINEBECK, N.Y. — Last month 39-year-old local independent Williams Lumber Inc. doubled the square footage of its main store in Rhinebeck, added 20% more stock keeping units and changed its racking and color scheme in an effort to shed its old lumber store image for a modern home center one.

But despite the physical changes geared to the growing DIY trade, Williams executives didn't forget their contractor customers who still comprise 60% of the company's business. A new separate contractor sales department was added and a company millwork plant is due to open next year.

"What we try to do is gear our needs to the community," said Don "Sandy" Williams, president. "We're trying to make it [the store] a one-stop shop."

With that goal in mind, Williams Lumber signed on with Ace Hardware's Store of the Future program last year when Ace introduced the plan in Las Vegas. On Sept. 13 and 14 the two-unit retailer, located in a small but growing community in upstate New York, two hours north of Manhattan, unveiled its 24,000-sq.-ft. retrofit filled with 12,000 stock keeping units presented in enlarged departments with greater breadth and merchandised on higher racking.

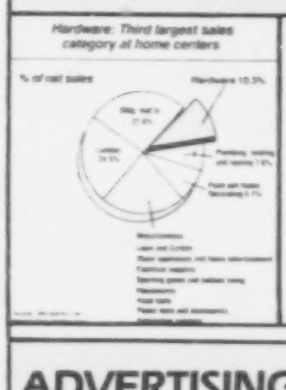
The retrofit, which was designed by Ace and the New York Chapter of the National Retail Hardware Assn., punched up the look of the long and narrow building with 7-ft. racking placed along the outer rim of the store, while about half of its old 54-in. racks were kept for the center of the building.

Known in the area for its expert service and its full-line plumbing, electricals and building materials presentations, as well as for its custom kitchen department, the retrofit furnished Williams Lumber with two new characteristics (neither of which is part of the Ace program): a separate contractor sales department with its own staff and a balcony overlook from where the company officers get a bird's eye view of the store. This perch helps curtail thefts and has already in-

(Continued on page 90)

Highlights in this issue

MERCHANDISING SUPPLEMENT: THE HARDWARE DEPT.



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- *Home center hardware depts. get spruce up*—**Page 42**
- *Dealers want more than just delivery*—**Page 44**
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- *True Value, Kellogg promote free trowels on flake boxes*—**Page 33**
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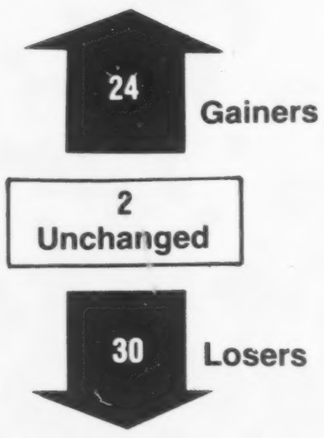
- *Are you being taken to the cleaners by your janitorial service? After hours work may require monitoring*—**Page 66**

FINANCIAL NEWS

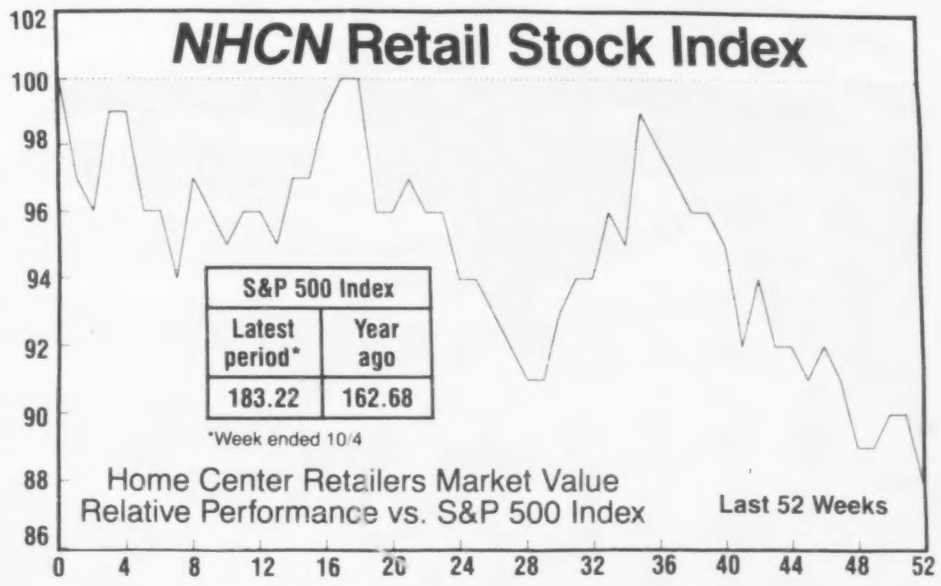


Homecrafters Warehouse bounced back somewhat from a 45% price decline during the previous period to close the latest two-week period ended Oct. 4 at $3.50, up 27.3% over the past two weeks. It was also one of the most active stocks in the home center industry during that period, trading at an average volume that was 181.1% higher than its average volume of the previous 12 weeks. Edward Hines Lumber, which saw its stock price dip 1.2%, and Hechinger A, which experienced a 4.3% price decline over the period, were also among the most active retail stocks.

Declining home center stocks out-numbered percentage price gainers 30 to 24, with two issues unchanged, for the two-week period ended Oct. 4. Among the losers were: National Lumber, down 12.5% to $5.25; Wolohan Lumber, down 5.9% to $6; Hechinger A, down 4.3% to $16.50.

Tool-maker Emhart Corp., which recently acquired the True Temper division of Allegheny International (see page 33 for story on Emhart's efforts to become more of a force in the DIY consumer hard lines market) was down 3.9% to $27.75.

Evans Products, a company that has experienced even more trouble than Homecrafters, was up 7.7% to $1.75. Color Tile, up 5%, Erb Lumber up 4.3% and Pay 'N Pak, up 3.2%, were price gainers among retailers.



The Retail Stock Index is calculated for each of the past 52 weeks by multiplying the market value of home center issues (combined price divided by total shares outstanding) by a constant which adjusts the index to show its relation to performance of S&P 500 Index over the past 52 weeks.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
Hines Ed Lumber O	80	309.1	- 1.2
Triangle Pac N	921	252.4	10.6
Potlatch Cp N	2,526	241.7	9.3
Allegheny Int N	3,053	234.1	13.7
DeSoto Inc N	407	196.6	- .4

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
Homecrafters Whse M	1,815	181.1	27.3
Certain-teed N	2,086	161.9	- 1.5
Stanley Works N	3,753	159.6	.9
La Pacific N	6,601	158.3	1.4
Hechinger A M	3,970	156.5	- 4.3

TOP GAINERS

Company & Market	2-Weeks Ended 10-4-85 $	2-Week Price Change %	Total 2-Week Volume (100)
Homecrafters Whse M	3.50	27.3	1,815
Allegheny Int N	23.88	13.7	3,053
Am Standard N	30.50	13.0	4,423
Triangle Pac N	32.50	10.6	921
Potlatch Cp N	36.63	9.3	2,526

TOP LOSERS

Company & Market	2-Weeks Ended 10-4-85 $	2-Week Price Change %	Total 2-Week Volume (100)
Natl Lumber M	5.25	- 12.5	392
Waxman Ind M	10.88	- 11.2	880
INTERCO Inc N	64.00	- 8.2	7,308
Std Brd Pnt N	19.00	- 7.3	2,591
Wolohan Lumber M	6.00	- 5.9	332

National Home Center News®

HOME CENTER INDUSTRY MARKET SUMMARY

Company and Market	Stock Market: Price 2-Weeks Ended 10-04-85 $	2-Weeks Change Amt. $	2-Weeks Change Pct. %	2-Week Range High $	2-Week Range Low $	52-Week Range High $	52-Week Range Low $	Volume 2-Weeks Shares Traded Total (100)	Volume 2-Weeks Shares Traded % Out %	Volume 12-Week Avg. Vol. As % Out %	Volume Trend Change %	P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report New Report -	Latest Report Period -	Latest Report Date Ended -	Latest Quarter Revenue Amt. $Mil	Latest Quarter Revenue Chg. %	Latest Quarter Net Income Amt. $Mil	Latest Quarter Net Income Chg. %	Latest Quarter E.P.S. Amt. $	Latest Quarter E.P.S. Chg. %	Year-to-Date Revenue Amt. $Mil	Year-to-Date Revenue Chg. %	Year-to-Date Net Income Amt. $Mil	Year-to-Date Net Income Chg. %	Year-to-Date E.P.S. Amt. $	Year-to-Date E.P.S. Chg. %
Retailers																													
Boise Cascade N	43.25	- .63	- 1.4	44.75	42.25	51.00	36.25	6,224	2.28	1.43	59.4	18.7	1.90	4.4	.....	6 mos.	06-85	952.8	- 4.6	31.7	- 5.4	1.07	- 7.8	1910.3	- 1.9	65.0	5.9	2.19	3.8
Color Tile M	18.25	.88	5.0	18.38	17.38	20.00	15.25	3,002	3.23	2.29	41.0	12.6	.00	.0	.....	fiscal	06-85	97.8	35.5	4.0	8.1	.44	10.0	347.2	22.8	13.3	- 4.3	1.45	1.4
Edison Bros N	32.00	- .13	- .4	32.25	31.63	38.25	31.00	405	.40	.80	- 50.0	13.0	1.60	5.0	.....	6 mos.	06-85	85.6	- 57.6	3.8	- 32.1	.38	- 29.6	362.5	- 28.5	7.7	- 50.6	.76	- 49.0
Erb Lumber M	24.00	1.00	4.3	25.50	23.00	26.50	18.00	28	.31	.18	72.2	5.4	.00	.0	.....	6 mos.	06-85	53.8	26.6	2.4	84.6	2.60	84.4	80.9	17.2	2.0	122.2	2.20	122.2
Evans Prod N	1.75	.13	7.7	1.75	1.50	6.00	1.50	694	.50	.21	138.1	NE	.00a	.0	.....	6 mos.	06-85	315.3	- 18.0	(24.1)	NE	(1.82)	NE	544.6	- 14.8	(63.8)	NE	(4.77)	NE
Forest City Ent A	22.75	.25	1.1	22.75	22.25	24.88	19.38	17	.04	.14	- 71.4	27.4	.15	.7	.....	6 mos.	07-85	53.5	- 28.6	3.4	36.0	.43	34.4	127.2	1.4	3.6	414.3	.45	309.1
Grace W R N	38.88	- 1.63	- 4.0	40.88	38.63	45.00	38.50	7,190	1.48	.85	74.1	11.3	2.80	7.2	.....	6 mos.	06-85	1908.8	9.6	41.4	- 28.0	.83	- 29.7	3488.8	7.7	76.9	- 25.6	1.55	- 26.9
Hechinger A M	16.50	- .75	- 4.3	17.25	16.00	23.19	14.41	3,970	4.54	1.77	156.5	NA	.16	1.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	16.75	- .25	- 1.5	17.25	16.50	24.19	14.59	1,115	.83	.43	93.0	17.6	.08	.5	.....	6 mos.	07-85	129.3	13.0	7.2	7.5	.30	3.4	243.9	20.6	11.0	8.9	47	6.8
Hines Ed Lumber O	42.00	- .50	- 1.2	43.00	41.50	43.75	36.50	80	.45	.11	309.1	22.1	1.00	2.4	.....	6 mos.	06-85	79.8	3.1	1.7	112.5	1.01	124.4	129.4	2.0	.9	800.0	.53	783.3
Homecrafters Whse M	3.50	.75	27.3	3.88	2.63	10.00	2.63	1,815	6.41	2.28	181.1	NE	.00	.0	.....	6 mos.	07-85	51.8	19.4	(1.8)	- 100.0	(.64)	- 100.0	97.6	22.2	(3.3)	- 100.0	(1.18)	- 100.0
Home Depot N	11.50	- .25	- 2.1	12.25	10.88	20.38	10.50	6,492	2.59	2.40	7.9	25.6	.00	.0	.....	6 mos.	07-85	174.3	46.5	2.5	- 34.2	.10	- 33.3	319.3	48.6	4.4	- 38.9	.18	- 37.9
INTERCO Inc N	64.00	- 5.75	- 8.2	70.00	63.50	73.63	55.75	7,308	5.19	3.58	45.0	16.0	3.08	4.8	.....	3 mos.	05-85	589.0	- 8.8	11.2	- 42.6	.71	- 39.3	589.0	- 8.8	11.2	- 42.6	.71	- 39.3
K mart Cp N	31.75	- .50	- 1.6	32.75	30.63	41.50	30.63	27,192	2.17	1.54	40.9	9.6	1.40	4.4	.....	6 mos.	07-85	5460.5	8.1	74.8	- 48.2	.58	- 47.7	10444.6	13.2	133.3	- 34.1	1.04	- 33.3
Lowe's Cos N	21.25	- .38	- 1.7	23.00	21.13	31.13	20.75	5,971	1.65	.87	89.7	12.6	.36	1.7	.....	6 mos.	07-85	595.6	22.8	20.9	1.5	.58	1.8	1047.9	21.1	32.8	- 1.5	.91	- 1.1
Mich General A	4.88	.13	2.6	5.13	4.50	8.13	4.50	3,029	2.67	1.39	92.1	NE	.00	.0	.....	6 mos.	06-85	119.0	- 2.9	(12.7)	- 100.0	(1.13)	- 100.0	207.1	- 6.0	(15.3)	- 100.0	(1.36)	- 100.0
Natl Lumber M	5.25	- .75	- 12.5	5.75	5.25	7.50	4.50	392	.70	.90	- 22.2	22.8	.00	.0	.....	6 mos.	06-85	36.5	9.9	.5	25.0	.09	28.6	67.9	10.0	.7	.0	.12	- 7.7
Pay N Pak N	12.25	.38	3.2	12.63	11.63	16.25	11.50	1,586	1.59	1.27	25.2	12.5	.64	5.2	.....	3 mos.	05-85	82.6	11.0	2.1	- 12.5	.21	- 12.5	82.6	11.0	2.1	- 12.5	.21	- 12.5
Payless Cash N	14.00	.00	.0	14.50	13.88	23.38	13.75	12,563	3.43	1.46	134.9	12.8	.16	1.1	.....	9 mos.	08-85	380.8	13.8	12.4	- 3.9	.36	- 10.0	1011.4	19.8	27.0	- 2.5	.80	- 7.0
Scotty's Inc N	12.75	- .25	- 1.9	13.13	12.75	16.38	12.50	891	.67	.50	34.0	9.9	.52	4.1	.....	fiscal	06-85	120.4	5.6	5.5	- 6.8	.39	- 9.3	453.4	6.8	17.5	- 3.3	1.29	- 7.2
Sears, Roebuck N	32.50	- 1.25	- 3.7	34.13	32.13	39.13	29.75	44,962	1.24	.60	106.7	8.7	1.76	5.4	.....	6 mos.	06-85	9697.1	1.3	265.5	- 25.4	.72	- 27.3	18600.0	3.2	488.8	- 14.2	1.32	- 17.0
Std Brd Pnt N	19.00	- 1.50	- 7.3	21.00	19.00	23.88	17.75	2,591	2.32	1.53	51.6	10.6	.56	2.9	.....	6 mos.	07-85	95.5	12.5	5.4	- 15.6	.48	- 15.8	176.4	8.4	10.2	- 7.3	.91	- 8.1
Supermkts Gen N	41.00	- 1.63	- 3.8	44.25	40.63	48.38	26.50	3,518	1.97	.87	126.4	11.7	.48	1.2	.....	6 mos.	07-85	1287.3	32.1	6.1	- 61.1	1.01	14.8	2502.7	34.5	17.9	- 10.1	1.67	49.1
Wolohan Lumber M	6.00	- .38	- 5.9	6.25	6.00	7.25	4.50	332	.57	.52	9.6	11.8	.16	2.7	.....	6 mos.	06-85	43.4	10.7	1.3	30.0	.24	41.2	66.5	8.3	1.0	42.9	.18	50.0
Wholesalers																													
Lewis Palmer M	6.88	.03	.5	6.97	6.38	9.38	6.38	358	.92	.56	64.3	57.3	.27b	3.9	NEW	6 mos.	07-85	37.5	- 6.9	.2	- 60.0	.06	- 57.1	70.5	1.6	.2	- 75.0	.06	- 75.0
Manufacturers																													
Allegheny Int N	23.88	2.88	13.7	24.50	21.13	28.75	20.25	3,053	2.84	.85	234.1	NE	1.40	5.9	.....	6 mos.	06-85	500.5	- 3.8	10.0	- 40.5	.23	- 54.0	1007.7	- 1.0	15.1	- 32.3	(.12)	- 100.0
Am Standard N	30.50	3.50	13.0	31.25	27.50	35.38	26.75	4,423	1.13	1.02	10.8	10.2	1.60	5.2	.....	6 mos.	06-85	878.3	- 1.6	37.3	6.3	.95	4.4	1667.3	9.4	57.6	4.7	1.47	- 4.5
Armstrng Wrld N	35.25	1.38	4.1	35.75	33.00	39.75	27.75	4,412	1.84	1.20	53.3	9.2	1.30	3.7	.....	6 mos.	06-85	429.9	5.3	32.3	19.2	1.34	20.7	806.5	1.9	50.2	- .8	2.09	2.0
Black & Decker N	18.00	.50	2.9	18.13	17.50	26.88	17.25	18,987	3.77	1.53	146.4	15.0	.64	3.6	.....	9 mos.	06-85	371.9	- .3	(7.1)	- 100.0	(.14)	- 100.0	1278.0	21.7	36.7	- 48.2	.72	- 51.0
Certain-teed N	24.13	- .38	- 1.5	24.63	24.00	28.50	15.75	2,086	1.10	.42	161.9	11.4	.70	2.9	.....	6 mos.	06-85	291.0	- 6.2	16.5	- 2.4	.84	- 1.2	543.9	- 7.6	24.7	- 5.0	1.25	- 3.8
Champ Intl N	21.13	- .13	- .6	22.13	20.50	26.75	18.50	23,981	2.58	1.19	116.8	NE	.52	2.5	.....	6 mos.	06-85	1598.9	38.8	43.3	8.0	.42	- 36.4	3244.7	41.1	87.1	25.9	.85	- 24.1
Clopay Corp A	14.50	- .38	- 2.5	15.00	14.50	22.19	11.25	59	.39	1.01	- 61.4	13.1	.16	1.1	.....	6 mos.	06-85	36.0	6.5	.0	- 100.0	.04	- 89.2	65.2	6.0	(.5)	- 100.0	(.32)	- 100.0
DeSoto Inc N	32.25	- .13	- .4	32.50	31.75	37.88	30.63	407	.86	.29	196.6	9.8	1.40	4.3	.....	6 mos.	06-85	127.9	1.4	6.4	.0	1.34	17.5	220.9	2.8	7.2	- 28.0	1.51	- 15.6
Emhart Corp N	27.75	- 1.13	- 3.9	29.25	27.50	33.13	26.25	3,517	1.28	.60	113.3	9.4	1.40b	5.0	.....	6 mos.	06-85	449.5	- 3.3	25.3	14.0	.91	3.4	869.4	- 6.1	39.4	- 9.2	1.42	- 17.9
Georgia-Pacifc N	21.38	- .63	- 2.8	22.75	21.00	27.38	20.50	13,838	1.35	.95	42.1	20.6	.80	3.7	.....	6 mos.	06-85	1794.0	7.4	67.0	- 20.2	.61	1.7	3374.0	6.8	116.0	- 14.1	1.04	7.2
Insilco Corp N	17.25	- .38	- 2.1	17.88	17.13	20.72	15.72	1,375	.71	.79	- 10.1	9.5	1.00b	5.8	.....	6 mos.	06-85	230.7	9.4	10.6	6.0	.57	3.6	428.0	7.3	16.6	.0	.90	- 1.1
La Pacific N	18.63	.25	1.4	18.63	17.63	24.75	17.63	6,601	1.86	.72	158.3	18.1	.80b	4.3	.....	6 mos.	06-85	345.0	6.3	5.0	- 33.3	.14	- 36.4	616.0	- 2.6	7.4	- 48.3	.21	- 48.8
MacMiln Bldel N	12.88	- .38	- 2.8	13.50	12.75	21.81	12.75	122	.04	.09	- 55.6	23.8	.00a	.0	.....	6 mos.	06-85	598.0	11.9	7.8	47.2	.05	NE	1136.6	20.1	10.4	NE	(.08)	NE
Manville Cp N	5.88	.38	6.8	6.00	5.50	8.63	5.13	3,074	1.28	2.51	- 49.0	2.6	.00	.0	.....	6 mos.	06-85	500.8	9.7	20.4	12.7	.59	20.4	934.0	7.8	32.6	5.8	.84	10.5
Masco Corp N	32.00	.63	2.0	33.50	30.63	36.00	24.13	6,677	1.15	.80	43.8	22.9	.56	1.8	.....	6 mos.	06-85	256.0	80.3	36.3	433.8	.63	- 33.7	485.0	71.9	71.8	443.9	1.24	- 32.6
Mor-Flo Inds M	17.38	- .38	- 2.1	17.63	17.38	20.25	14.63	193	.76	.67	13.4	6.6	.01	.1	.....	6 mos.	06-85	53.6	3.7	1.7	.0	.69	1.5	106.0	5.4	3.4	6.3	1.34	3.9
Natl Gypsum N	32.25	.22	.7	33.00	30.69	34.59	22.69	4,104	1.76	1.18	49.2	6.6	1.52	4.7	.....	6 mos.	06-85	443.6	- 1.3	35.5	21.2	1.52	20.6	809.4	- 3.6	61.5	15.0	2.63	14.8
Newell Co N	17.25	.63	3.8	17.50	16.25	19.00	13.25	753	.87	.35	148.6	10.1	.50	2.9	.....	6 mos.	06-85	81.7	9.2	4.8	20.0	.53	15.2	161.2	6.8	8.0	15.9	.88	10.0
Owens Corning N	32.75	.00	.0	33.75	32.13	37.00	28.88	4,418	1.49	1.05	41.9	8.3	1.40	4.3	.....	6 mos.	06-85	789.9	3.3	20.2	- 18.5	.68	- 20.0	1467.9	.6	48.2	5.9	1.63	5.2
Ply-Gem A	15.88	- .25	- 1.6	16.00	15.50	16.50	12.50	185	.50	.69	- 27.5	15.1	.16	1.0	.....	6 mos.	06-85	42.8	- 1.6	.9	- 30.8	.22	- 38.9	83.5	1.0	2.0	- 16.7	.52	- 24.6
Pope & Talbot N	17.75	.75	4.4	18.25	16.88	21.50	15.25	238	.40	.23	73.9	NE	.80	4.5	.....	6 mos.	06-85	85.2	8.7	1.8	- 30.8	.30	- 31.8	168.3	6.1	4.0	- 14.9	.67	- 15.2
Potlatch Cp N	36.63	3.13	9.3	38.00	33.00	38.13	28.00	2,526	1.64	.48	241.7	14.7	1.56	4.3	.....	6 mos.	06-85	248.6	- 3.9	10.5	- 34.4	.61	- 33.7	483.3	- 5.0	22.0	- 22.8	1.28	- 19.0
Sherwin-Wms N	35.00	- .88	- 2.4	36.63	34.75	40.00	25.50	3,062	1.34	.69	94.2	11.6	.92	2.6	.....	6 mos.	06-85	606.6	8.8	28.5	11.3	1.24	12.7	1098.7	7.6	34.2	11.8	1.49	12.9
SW Forest Ind N	11.88	.25	2.2	12.63	11.13	17.88	11.13	3,099	3.34	1.62	106.2	NE	.00	.0	.....	6 mos.	06-85	178.8	- 14.7	(2.9)	- 100.0	(.47)	- 100.0	349.3	- 9.1	(4.5)	- 100.0	(.80)	- 100.0
Stanley Works N	28.50	.25	.9	29.00	27.75	31.38	23.88	3,753	1.35	.52	159.6	10.6	1.04	3.6	.....	6 mos.	06-85	311.9	6.7	19.2	6.1	.70	7.7	588.8	5.6	33.2	4.1	1.22	7.0
Thos Inds N	17.25	.13	.7	17.50	17.00	19.38	13.97	382	.45	.49	- 8.2	9.6	.68b	3.9	.....	6 mos.	06-85	78.9	9.3	3.9	8.3	.47	9.3	152.8	13.1	7.1	- 7.8	.84	- 7.7
Triangle Pac N	32.50	3.13	10.6	34.13	29.00	34.13	22.75	921	2.22	.63	252.4	9.6	1.00	3.1	.....	6 mos.	06-85	67.1	- 9.7	4.3	10.3	1.04	7.2	129.2	- 5.0	6.9	7.8	1.66	5.7
USG Corp N	37.88	- .25	- .7	39.00	36.63	44.50	26.38	6,099	1.84	.79	132.9	6.5	1.68	4.4	.....	6 mos.	06-85	645.6	8.7	61.7	5.8	1.84	4.0	1233.9	14.9	104.2	6.5	3.12	5.4
Walter, Jim N	33.25	- .75	- 2.2	34.63	33.13	39.25	26.75	6,252	2.97	1.46	103.4	6.8	1.40	4.2	.....	9 mos.	05-85	579.8	2.7	31.2	6.1	1.43	5.9	1664.4	- 1.7	73.3	15.8	3.36	15.9
Waxman Ind M	10.88	- 1.38	- 11.2	12.38	10.00	16.88	5.50	880	2.83	1.33	112.8	12.2	.08	.7	.....	fiscal	06-85	21.3	80.5	.5	66.7	.23	76.9	82.7	98.3	2.2	120.0	.89	122.5
Weyerhaeuser N	27.13	.63	2.4	27.38	26.13	34.00	25.88	14,142	1.09	.57	91.2	22.4	1.30	4.8	.....	6 mos.	06-85	1400.1	622.4	59.7	- 42.5	.41	- 43.8	2675.8	81.9	97.9	- 30.3	.65	- 32.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

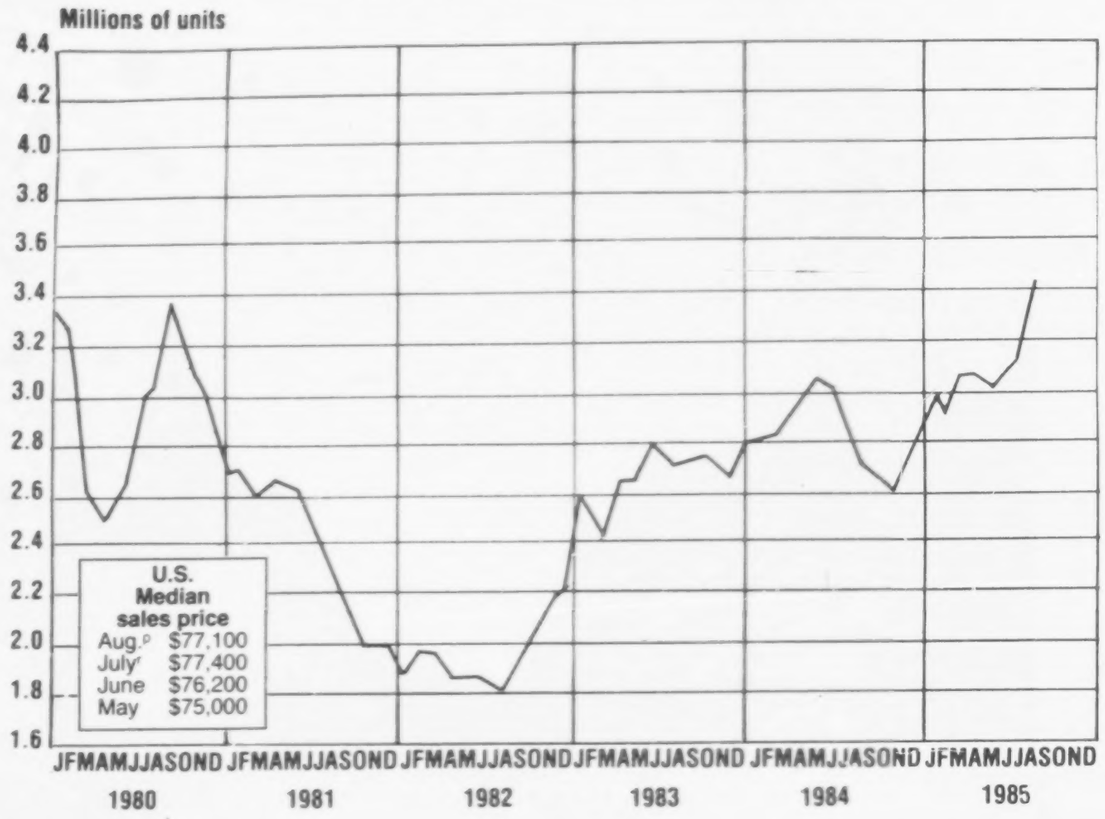
All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

HOUSING WATCH

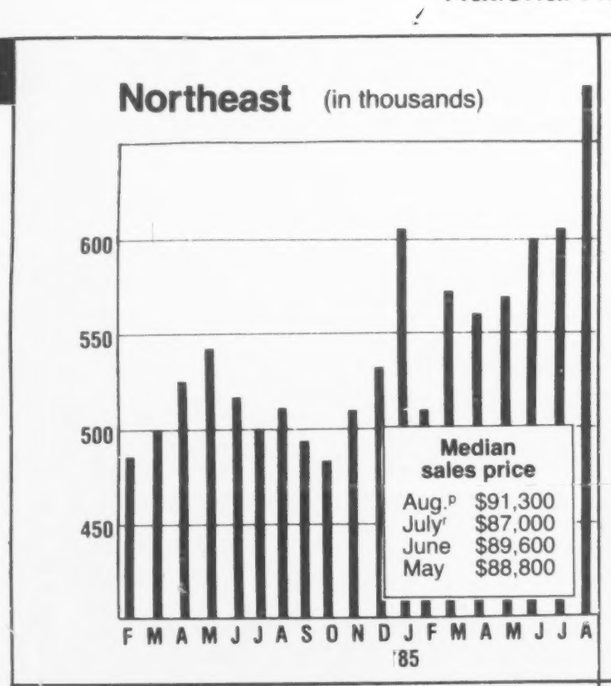
Existing single-family home sales

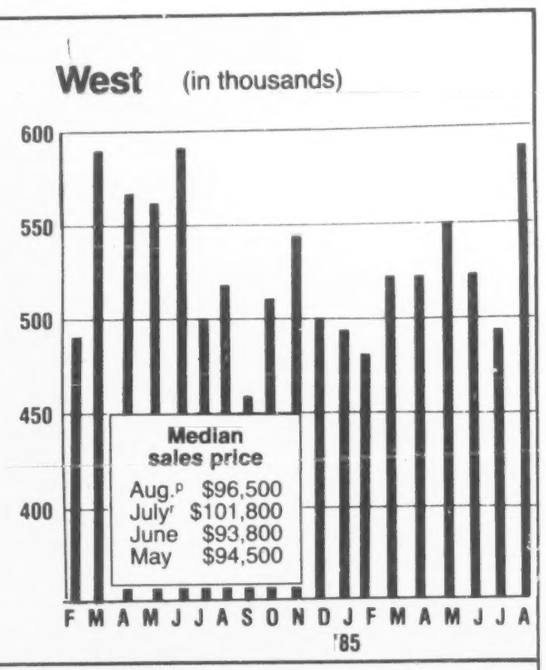


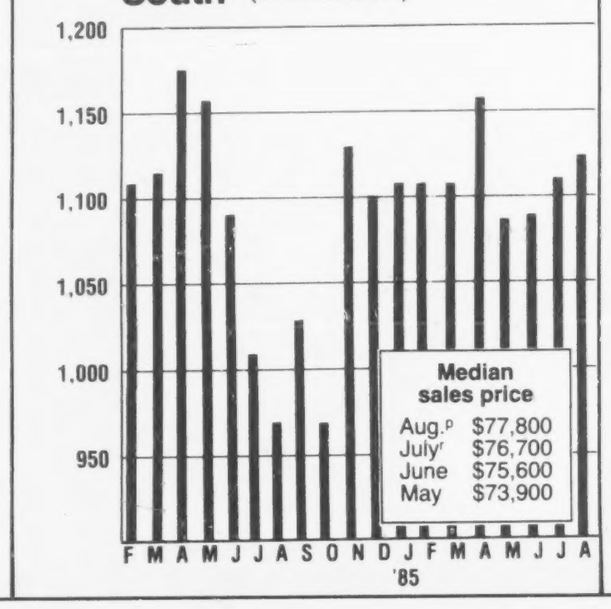
"Clearly, the demand for housing remains strong," said David D. Roberts, president of the National Assn. of Realtors, after reviewing August's resales activity, which set a six-year record. At 3.43 million units, seasonally adjusted, August's resales level comes close to breaking the 3.48 million-unit high set in November 1979.

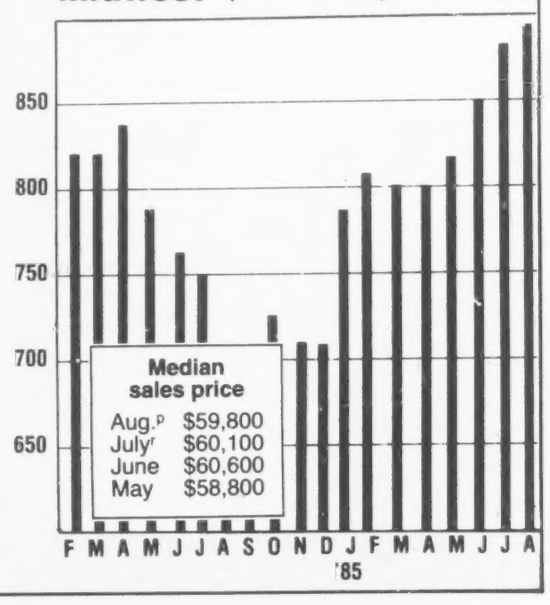
p = preliminary r = revised

Source: Nat'l Assn. of Realtors









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August resales hit highest level in nearly 6 yrs.

NATIONAL REPORT — Sales of existing single-family homes rose 9.2% in August to a seasonally adjusted annual rate of 3.43 million units, the highest level in nearly six years, according to the National Assn. of Realtors (NAR).

August also marked the sixth consecutive month that resale activity topped the three-million-unit mark.

David D. Roberts, president of the NAR, explained the recent increase is due to a strong demand for housing, declining mortgage rates—which have dropped about one and a half percentage points in the last year—and moderate increases in home prices. In fact, the median-priced home in August fell $300 to $77,100.

Jack Carlson, NAR's chief economist and executive officer, is predicting that all these factors should combine to produce a 6.6% increase in existing home sales this year, to 3.06 million units, up from last year's 2.87 million units. Next year, he is projecting that 3.12 million units will be sold, a 2% increase over 1985.

In addition, Carlson predicts that resale home prices should increase about 3.5% this year—about the same level as 1984—and rise by 4% in 1986.

The strong sales pace in August was set by gains in all four regions, with the West leading the other three areas. It charted a whopping 20.4% gain in existing home sales, from 490,000 units in July to 590,000, units, seasonally adjusted. In addition, the median home price here fell from July's record-breaking $101,800 down to $96,500, probably due to families buying smaller homes, several NAR economists explained.

Resale activity was also strong in the Northeast. The region produced a seasonally adjusted 680,000 units, up 80,000 units from July. At the same time, the median home price jumped $3,700 to $91,300, 12.3% above the $81,300 median-priced home in August 1984.

Resales in the South rose 8% in August to 1.22 million units and home prices jumped 7.6%

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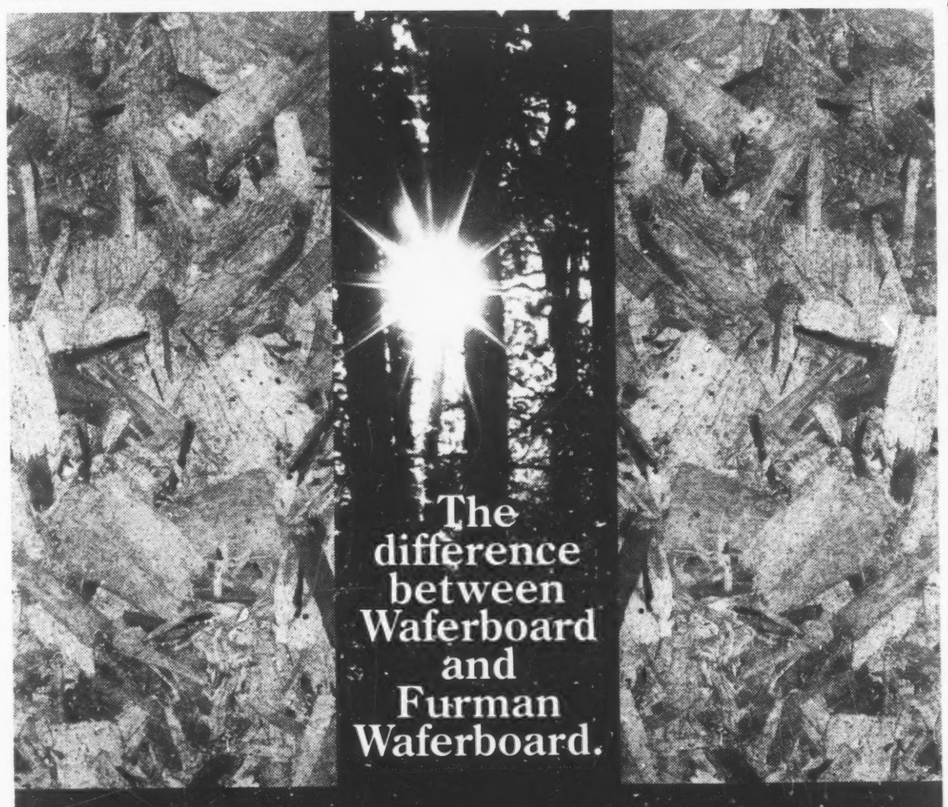

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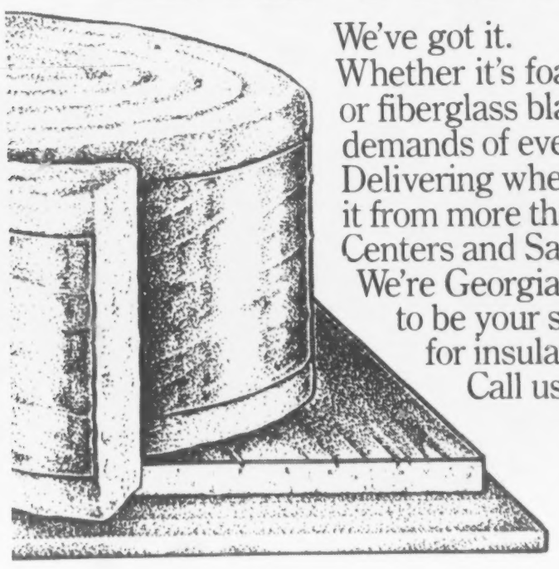

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LUMBER REPORT

Martin resigns from NLBMDA; Big guns threaten independents

WASHINGTON — John Martin, executive vice president of the National Lumber and Building Materials Dealers Association for the past six years, announced his resignation from the organization, effective Oct. 1.

The association manager said he was resigning to join the Dairy and Food Industries Supply Association to assume similar duties.

Martin, whose broad executive management of trade associations has included such fields as peanut growers, manufacturers and contractors, said the NLBMDA had made some significant gains during the past six years.

Among the achievements Martin pointed out:

- The purchasing of the group's own building for a headquarters in the capital;
- Greater influence and rapport with Congressional representatives;
- Production of the association's slick magazine, The Building Materials Retailer and;
- The reunification of regional associations under a national umbrella, especially the Northeastern Retail Lumbermens Association which rejoined last year.

"I think we've done a lot," Martin said, "to address the industry's needs. I think we became more effective on Capitol Hill to the extent that Congressmen are calling us now."

Martin said one of his last developments was the establishment of a young lumbermens executive society that would help educate and train retail managers for vital roles.

But Martin said his departure from the organization comes at a time when dark clouds on the horizon threaten the stability of the organization's predominant membership, the independent retailer and small chain operator.

"More and more mass merchandisers are coming into the field, threatening the independents and the small chains," Martin said. "I think the issue for the next five years is to help the independents concentrate on quality and service."

Following six years serving the NLBMDA as executive vp, John Martin resigned effective Oct. 1. Of the Association, Martin said, "I have not represented an industry that was as easy or as enjoyable. Lumber dealers are good, basic businessmen, and I'm going to miss that."

Photo courtesy Gatty Communications, Laurel, Md.

Of the association's 25 state and regional allied organizations, about 14,000 retail lumber dealers are represented, most of whom are small independents, according to Harry Horrocks, spokesman for the organization and who will become the interim executive vice president.

Martin added that of all the trade associations he has led during his career, he derived the most satisfaction from his dealings with lumber retailers.

"I have not represented an industry that was as easy or as enjoyable," Martin said. "Lumber dealers are good, basic business people, and I'm going to miss that."

In the meantime, a search committee has already begun the job to find Martin's successor. While the president of the NLBMDA is an elected position held for a one-year term by a lumber retail executive, the executive vice president requires association management skills and, consequently, is more permanent.

FUTURES

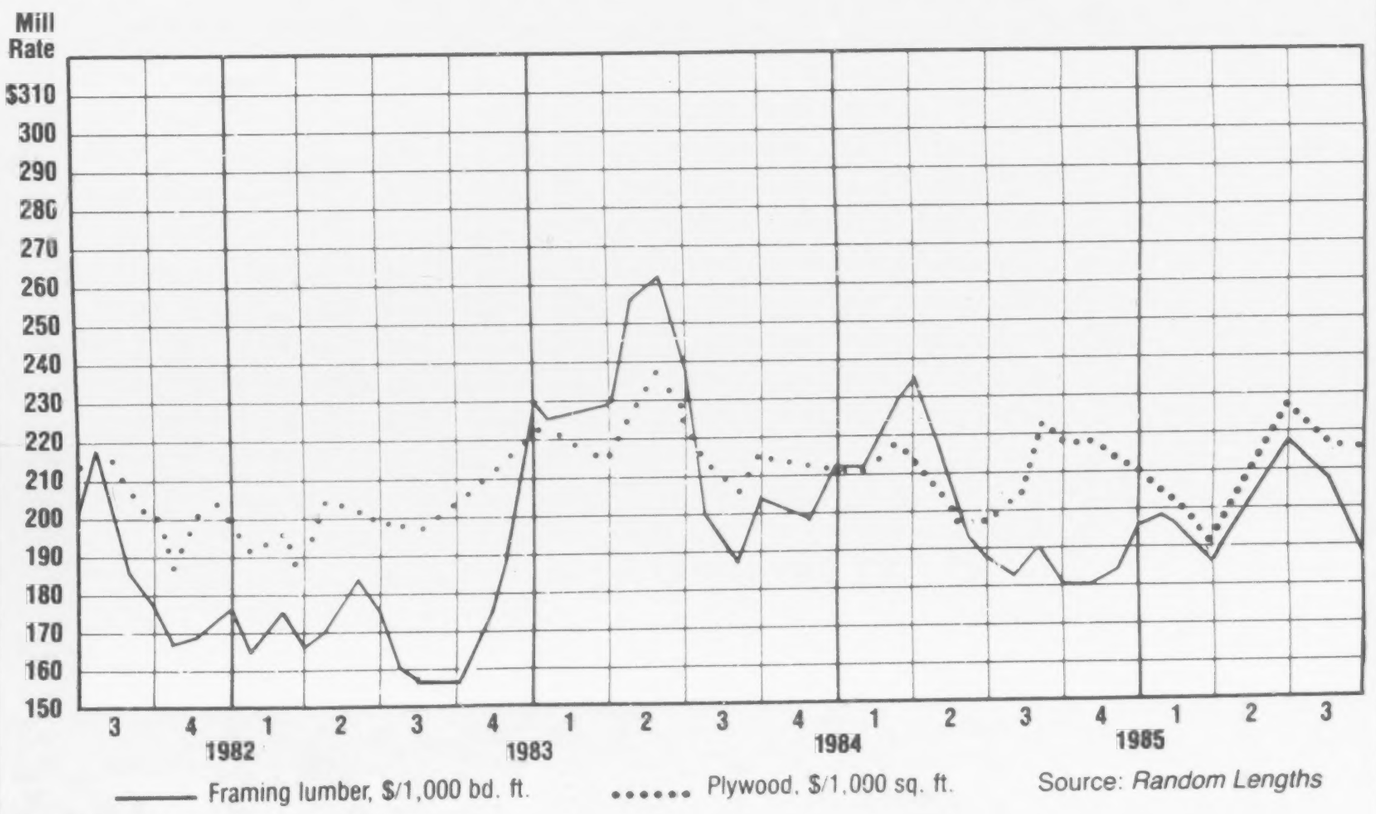
Two weeks ended Sept. 26, 1985

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov. '85	144.50	139.00	140.70	138.10	3,714	186.10	126.50
Jan. '86	146.80	139.90	144.40	138.40	2,143	187.30	133.60
March	151.20	144.00	149.50	142.90	969	195.00	139.70
May	154.90	148.50	153.50	146.70	390	176.40	145.20
July	157.50	153.50	155.80	149.60	97	183.40	149.50
Sept.	159.00	156.30	158.20	153.00	68	180.00	152.90
Nov.	159.00	156.50	159.00	153.00	5	159.00	153.00

Total Contract Vol. (Through 9/26): 15,013 — **Previous Two Weeks: 12,041**
Total Open Interest (As of 9/26): 7,397 — **Previous Week: 7,527**
Cash Price: $152.88 — **Previous Week: $151.90**

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept. 26.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile



Source: *Random Lengths*

The price of framing lumber fell to $187 per thousand board feet at the end of September, a huge drop from the almost $220 price in early July.
Plywood held steady at $216 per thousand board feet, only a $1 drop from its price in August.

MERCHANDISING SUPPLEMENT: THE HARDWARE DEPARTMENT

New owner, capital cost led to Easco tool sale

By John Caulfield
NHCN senior editor

BALTIMORE — In June 1984, Russell Owings, then-president of Easco Hand Tools, told a group of hardware manufacturers about his company's success at thwarting import competition through a three-year program of massive capital expenditures for new plant and research, production cost reductions, and a new emphasis on "global" market penetration.

Owings noted that, in the previous five years, Easco's hand tools sales had "nearly doubled," and in some cases, costs had been slashed by 70%. He was also optimistic about the company's long-term prospects as, a few months earlier, Easco had just begun shipping to the National Automotive Parts Assn. (NAPA) chain, 6,200 dealers strong, as its primary mechanics tools supplier.

"To gain a stronger market position, we have accepted low profitability over the past three years," said Owings. "But this year was going to make money."

Fifteen months later, Owings is gone, the victim of a divisional management purge. And Easco Hand Tools, whose sales rose 9% to $196 million but which suffered a $12.7 million loss last year, is about to be parceled off for an estimated $110 million to a group of investors that may include some of the division's management.

Unfriendly takeover attempt

The main reason given by company officials for this sale is that Easco Hand Tools did not "fit" into the plans of Equity Group Holdings, a Washington investment firm that owns around two thirds of Easco's common stock, and is completing what has been an unfriendly takeover of the parent company.

Security analysts state that Equity is likely to merge Easco's profitable aluminum division into Danaher Corp., a 39%-owned subsidiary. Consequently, they say, Equity is looking to shed Easco's other businesses, including the hand tool segment which accounted for 34% of the corporation's $571 million in 1984 sales. Steven Rales, a partner at Equity, could not be reached for comment.

However, it also appears that Easco officials had soured on the prospects of pumping more money into the hand tool division to make it profitable.

Since 1981, the company has spent or appropriated about $40 million to modernize and automate the division's operations. And last October, Easco exchanged 380,152 shares of common stock (or an estimated $5 million to $7 million) to purchase Oxwall Tool Co., a distributor of imported hand tools with sales last year between $15 million and $18 million. This acquisition—evidence that the corporation was still interested in making this division work—gave Easco a much-needed entree into the low-end market, where foreign-made products had been taking market share out of Easco's hide.

Despite these investments, the hand tool division's sales for the first quarter of this year fell 14.1% to $40,987,000, as the demand for mechanics hand tools sagged industrywide last winter.

Easco did not break out its divisional results in the second quarter, and there is some question about the hand tool segment's profitability.

Unsatisfactory return rate

However, it appears almost certain that the division's rate of return on the corporation's investment was unsatisfactory to company officials, a factor that could have affected Easco's decision to sell the division off. In fact, in its August investment survey, Value Line, the New York investment research firm, reported that the condition of Easco's hand tool division "apparently discouraged a 'white knight' from coming forward with a better proposal" than Equity Group Holdings' $20.50 per share offering.

Phone calls to Robert Swam, Easco's president, and Robert Anderson, the chief executive of the hand tool division, were not returned. But a picture of a company that almost completely shifted its corporate philosophy and has re-evaluated its commitment to its hand tool sector emerges from interviews with former executives and security analysts, and from information contained in Easco's unusually detailed 1984 annual report.

Owings, who now owns Tool & Equipment Inc., a Baltimore distributor catering to the auto aftermarket, said the "turning point" for the hand tool division came when Thomas Maddux departed as Easco's president in January 1984, and was replaced three months later with Swam, formerly an operations executive with Black & Decker.

"Bob had a very different perspective relative to inventory, recapitalization and start-up costs than Tom did when we initiated our [hand tool] revitalization program in 1981," said Owings.

He conceded that any assessment of inventory levels, production costs and return on investment "is, like beauty, in the eye of the beholder. But there was a continuing feeling of dissatisfaction and disappointment with the division's performance, although I believe that the new management's expectations were somewhat ahead of reality."

According to an Easco source, the hand tool division "was just about breaking even" through the first half of 1984. However, its plans to completely automate its manufacturing facilities were "12 to 18 months behind schedule," according to Richard Sullivan, Easco's former chairman who left the company on June 10 of this year.

"The concept that Easco had to revamp its entire operations was good," said Ernest Kiehne, an analyst with Legg Mason Wood Walker in Baltimore. "But, as is usually the case, these grand designs always take longer and cost more than originally planned."

Easco's problems were further exacerbated by its falloff in business with Sears, and its new relationship with NAPA.

In 1981, Easco's private label business with Sears represented 78% of the division's sales; in 1984, that percentage fell to 54%. (Its contract with Sears stipulates that the giant retailer purchases 70% of its hand tool needs from Easco, an arrangement that is subject to renewal on Dec. 31, 1985.)

As a hedge against further declines in its Sears business, Easco had been attempting to better-establish its own brand with home centers and hardware stores. This effort has been only fitfully successful to this point.

Performance distorted

Easco's agreement to supply all of NAPA's stores with mechanics tools, which was struck in late 1983 and begun in the spring of 1984, reportedly put a tremendous strain on Easco's manufacturing capabilities, and, according to Owings, distorted the performance of the division in general over the short term.

"The problem Easco encountered was that the machine tools it was installing in its hand tool factories weren't producing products quick enough to meet NAPA's needs," explained Joseph Phillippi, an analyst with E. F. Hutton in New York.

The combination of these factors led to disarray in the division's inventory and cost control, said Phillippi. "All through the first half of 1984, the company was promised that production costs would be cut an average of 35%, but the division never got anywhere near that," he stated.

And in the summer of 1984, the demand for hand tools began a decline that lasted throughout the rest of the year, another factor that played havoc with Easco's inventory control. "The management of the hand tool division was telling the company to expect a dramatic turnaround in June, but those assumptions, in retrospect, appear to have been based on some pretty shaky market assessments," said Franklin Morton, an analyst with Alex. Brown & Sons in Baltimore.

He continued that "the most serious problem Easco had was that nobody in the hand tool division seemed to know what was going on, and inventory [levels] and production costs were way out of line."

In August, Swam decided to take action. Owings and other key hand tool division executives were fired. And Easco announced that it would restate its second-quarter sales and earnings, and take an $11.5 million pretax charge to operations for startup costs relating to the

(Continued on page 48)

Home centers out-hardware hardware stores

By Donald Longo
NHCN managing editor

NATIONAL REPORT — Home centers appear to be outperforming hardware stores at their own game, according to figures contained in three recently released reports by the National Retail Hardware Assn. (NRHA).

In addition, hardware surpassed lawn and garden as the third largest selling category of merchandise in home centers, according to the report entitled, "The 1985 Bottom Line."

The category accounted for 10.3% of home centers' net sales last year, ranking behind just building materials (27.6%) and lumber (24.5%) in dollar volume.

And, while hardware stores registered a higher gross margin in the hardware category than home centers, the latter group of stores was able to achieve a greater return in margin for their investment in inventory.

Each year, the NRHA mails out questionnaires to dealers to obtain data on sales, operating expenses, profits and financial performance, which it compiles into detailed financial reports for three types of hard lines retailers. In addition to the "Bottom Line" report, the NRHA publishes the "Profit Report" for DIY lumberyards and the "Management Report" for hardware stores.

According to the 1985 reports, which contain 1984 financial results, the hardware department accounted for the greatest percentage of a hardware store's total volume, sales floor space and inventory. But, on a sales per square foot basis, the category performed better in home centers and DIY lumberyards.

Hardware sales at home centers averaged $140.78 per square foot, a figure that was slightly lower than that of the previous year, but still considerably higher than the hardware stores' average of $%110.73 per square foot.

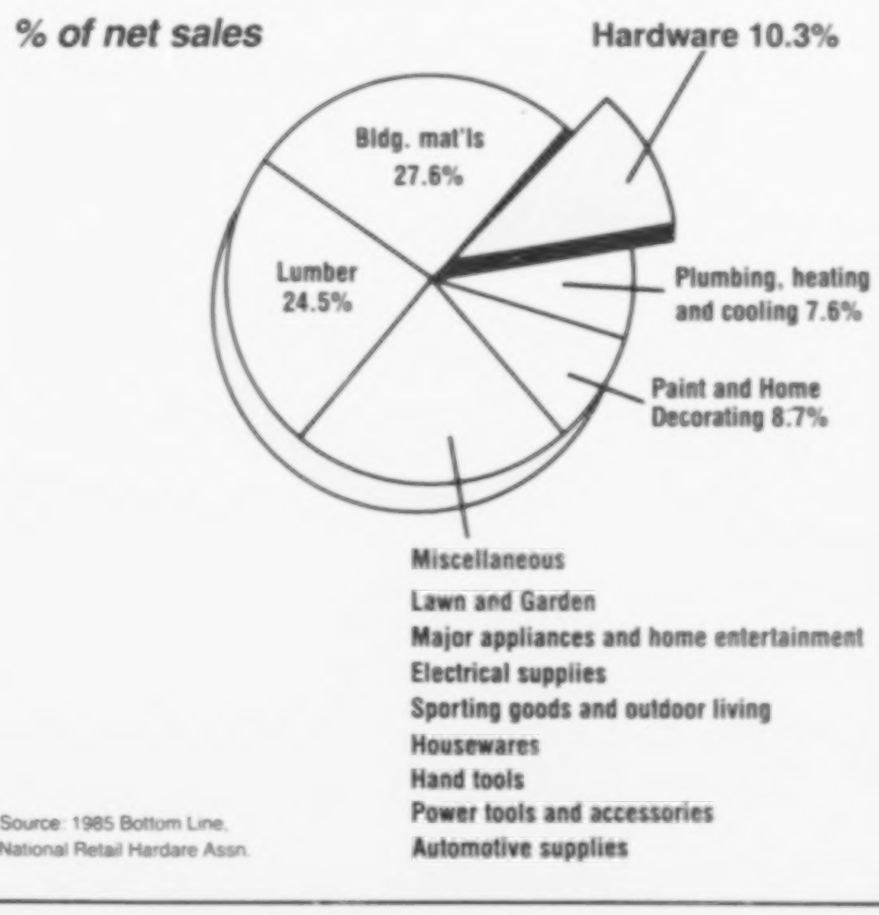
DIY lumberyards' hardware sales averaged $138.64 per square foot. But that is a big fall-off from the $162.07 those stores generated in the category in 1983. As defined by the NRHA, a DIY lumberyard is a lumber and building materials outlet that actively pursues DIY sales, has retail sales floor and carries basic hard lines.

The decrease in sales per square foot, as well as a decline in the percentage of retail sales floor space DIY lumberyards devoted to hardware last year, may reflect the difficulty many of these stores are encountering in trying to cross merchandise hard lines with commodities.

In contrast, many home centers have been broadening their product assortment in this category. As a result, home center dealers devoted a higher percentage of their sales floors to hardware last year—13.9% compared to 11% in 1983. Only building materials, with 16.4% of the sales floor, took up more

(Continued on page 56)

Hardware: Third largest sales category at home centers



Source: 1985 Bottom Line, National Retail Hardare Assn.

After building materia's and lumber, hardware sales comprise the greatest percentage of a home center's net sales.

The hardware department: Home centers play hardware stores' game

Type of store*	% of net sales '84	% of net sales '83	% of sales floor† '84	% of sales floor† '83	% of inventory '84	% of inventory '83	$ sales per sq. ft. '84	$ sales per sq. ft. '83	Gross margin % '84	Gross margin % '83	Sales to inventory ratio '84	Sales to inventory ratio '83	GMROI '84	GMROI '83
Home centers	10.3	11.1	13.9	11.0	12.0	12.5	$141	$145	40.0	38.7	5.3x	4.2x	2.13	1.62
DIY lumberyards	9.6	9.6	17.7	18.5	11.5	10.5	139	162	33.6	32.9	3.4x	3.4x	1.13	1.12
Hardware stores	17.5	18.1	18.5	16.6	17.3	17.5	111	101	42.7	43.5	3.6x	3.4x	1.53	1.47

*Average store profile:	Home centers	DIY lumberyards	Hardware stores
Net sales volume	$2.87 million	$1.68 million	$876,017
Selling area	17,163 sq. ft.	4,208 sq. ft.	6,161 sq. ft.
Total area	33,478 sq. ft.	17,598 sq. ft.	9,341 sq. ft.

†Inside sales area only
Source: National Retail Hardware Assn.

Hardware stores had a higher margin; but home centers achieved better return for their investment.

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MERCHANDISING SUPPLEMENT: THE HARDWARE DEPARTMENT

Home centers out-performing hardware stores at own game

(Continued from page 47)

room than hardware inside a home center.

Hardware stores also buttressed their representatives in their namesake department, devoting 18.5% of total sales floor space to hardware, compared to 16.6% in 1983.

Home centers' average gross margin on hardware climbed to 40%, from 38.7%—higher than for any other department. Hardware stores, perhaps feeling pressure from home centers with strong hard lines presentations, saw gross margin drop to 42.7% in 1984, from the previous year's 43.5%. Average gross margin for hardware at DIY lumberyards rose to 33.6% from 32.9% in 1983.

Home centers' gross margin return on investment (GMROI) in their hardware departments rose to 2.13, based on an annual turn rate of 5.3, making hardware the second best performing department at home centers. Paint and home decorating, primarily because of a higher turn

rate, was the No. 1 category at home centers according to the GMROI measurement.

Hardware stores were able to achieve a GMROI of 1.53 in their hardware departments, while DIY lumberyards registered a GMROI of 1.13 in hardware.

The NRHA computes the GMROI by taking the margin percentage times the sales to inventory ratio.

For its Bottom Line report, the NRHA received 195 responses from home centers, which had an average sales volume of $2.87 million and an average inside sales floor of 17,163 sq. ft.

The NRHA received 805 usable returns for its Management Report from hardware stores, which averaged annual sales of $676,017 with indoor selling space measuring an average of 6,161 sq. ft.

For the Profit Report, 227 DIY lumberyards responded to the NRHA survey. They averaged a sales volume of $1.68 million and had inside showrooms averaging 4,208 sq. ft.

SK Hand Tools Corp. to merge with Williams

CHICAGO — SK Hand Tool Corp., a manufacturer of mechanic's hand tools here, has reached an agreement in principal to merge with J. H. Williams Industrial Products Inc., a Buffalo-based producer of industrial hand tools.

The merger is expected to be completed later this year. Terms of the agreement were not disclosed, although SK's chairman, Thomas Corcoran, said there would be an exchange of cash and stock. (Both companies are privately held.)

SK has been pursuing this company, off and on, for two years since Williams was put up for sale in late 1983 by TRW Inc. A group of investors led by Corcoran had just purchased SK from Dresser Industries of Dallas in October 1983, "and we were very interested in buying Williams, too," said Corcoran.

He recalls getting "beat out" of that acquisition by a San Diego capital investment firm called Polaris Capital Group, which at that time was headed by Williams' current chairman John Doede.

"I've known John for several years, and when we met earlier this year, I suggested that maybe an agreement for a merger could be reached, and he was interested," said Corcoran.

Each company will retain its current management, and Corcoran expected the two companies' manufacturing and distribution policies to remain intact. Daniel Czuba will continue as SK's president.

"The big advantage we see for both sides is in the exchange of technical and research information," said Corcoran. "And, later down the road, we will be able to accelerate our line additions, which we've been planning to do at any rate." Corcoran felt the long range benefits for Williams would be derived from SK's marketing expertise.

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